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FOREIGN AFFAIRS COMMITTEE

First Report

Session 1986–87

SOUTH EAST ASIA AND INDO-CHINA

Report with an Appendix,
together with the
Proceedings of the Committee;
Minutes of Evidence;
and Appendices

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a marginal contribution to Burma's economic growth needs. Given Burma's understandable reluctance to accept further overseas debt obligations, the most useful contribution which the British Government could make would be through the resumption of direct capital grants for appropriate industrial or infrastructure projects. The total level of UK aid to Burma declined in 1980 prices from over £4.6 million in 1979–80 to about £730,500 in 1985–86. **We recommend that the Overseas Development Administration should aim to restore overall aid to Burma to the 1979–80 level by 1989–90, including, where appropriate, direct capital aid.**

148. In addition, we note that Burma is the only country in the region in which the Commonwealth Development Corporation does not at present operate, authority having recently been given for the CDC to extend its operations to India and Pakistan. While we recognise the problems created by the Burmese Government's own reluctance to entertain overseas investors, we believe that the CDC could be an effective instrument in providing a British input towards the stimulation of the Burmese economy. **We therefore recommend that the possibility of the CDC operating in Burma should be reviewed and that, subject to co-operation by the Burmese Government, authority should be given for the extension of the Corporation's remit to include Burma.**

149. The present state of the Burmese economy is a tragedy for the Burmese people and, if the current decline is not reversed, is a potential source of instability both internally and on Burma's borders. While much of the responsibility for this state of affairs rests with the Burmese Government, **it must be in the interests of the United Kingdom and other Western Governments to encourage greater economic prosperity in Burma.**

7. INDONESIA

General

150. Britain enjoys good relations with Indonesia, though at a low level given Indonesia's size and increasing importance. With a population of 165 million, Indonesia is the world's fifth most populous nation and its islands span a distance equal to the distance between Britain and Turkey. Over half of the population live in the central island of Java. The Dutch were the former colonial power, granting independence in 1949, and British political involvement has been limited to a brief period of control (under Sir Stamford Raffles) between 1811 and 1816 and partial control (on behalf of the Dutch) following the Japanese surrender in 1945. British troops supported the Malaysians during the period of the confrontation with Indonesia in Borneo between 1963 and 1966.[58]

151. Indonesia is politically stable under the Presidency of General Soeharto, who has been in power since 1966. The Armed Forces play a significant role in government and are directly represented in Parliament. A major factor in political life is the régime's opposition to Communist influence, an attitude which stems in part from the attempted Communist coup in 1965 and is reflected in continuing security laws and in the influence and power of the military. It is also reflected in the uncertain position of the small Chinese community in Indonesia, who were perceived to be closely connected with the 1965 Communist opposition.

152. Indonesia is overwhelmingly Islamic and one of the political parties, the PPP, is Moslem based. There is however a separate state philosophy ("PANCASILA") which embraces other religious beliefs, and it is an essentially tolerant society. Extremes are unwelcome and Islamic fundamentalism, in particular, is viewed with disfavour. This can, and has, led to unrest where communities feel that their Islamic faith is being compromised (for example the September 1984 riots at Tanjung Priok).

153. The economy is easily the largest in South East Asia. However, this reflects principally the size of the population[59] and *per capita* income, at US$560[60] is the lowest of all the ASEAN countries. In common with other South East Asian countries it has suffered from falls in commodity prices such as tin. In Indonesia's case the problem has been compounded by the dramatic fall in the price of oil as over half its exports are oil or oil products. The Government's response to the oil price fall, so far, has been to try to compensate by increased production. These developments have led to major retrenchment in expenditure plans, with the development budget for 1986–87 being reduced by 22 per cent.

[58] Evidence, p 85.
[59] *See* Table 1, page ix.
[60] 1983 figures.

154. Cautious financial management in recent years has meant that a debt crisis has not yet materialised, though the amount of debt is large and repayment problems are not ruled out by some observers. Greater interest may be shown, as an alternative to dependence on commodities, in the production of manufactured goods. Indonesia is, like other countries in the area, therefore concerned to ensure continued access in industrialised countries for its products.

155. However, the major sector of the economy is agriculture, with about 60 per cent of families engaged in farming. Indonesia has been relatively successful in its development of this sector, having achieved a net rice surplus after being the world's largest rice importer. This success is a contributory factor to Indonesia's political stability. However with a labour force increasing at 1.7 million per annum continued growth and development is necessary and it is principally the perceived need for the development of more land to absorb this growth that has led to the controversial transmigration programme (which we consider below).

156. The cornerstones of Indonesia's foreign policy are its membership of the non-aligned movement and its membership of ASEAN. It is a major force and leader in both these groups and the ASEAN secretariat is based in Jakarta. On regional matters, Indonesia's policies are significantly anti-communist and reflect concern in particular about Chinese influence in South East Asia. The effect of this concern on Indonesia's stance on the Indo-Chinese question has been noted above.

Political issues in UK-Indonesian relations

157. There are no bilateral or regional issues which directly and substantially impair the furtherance of good relations between the United Kingdom and Indonesia. However, differences and difficulties can and do arise in respect of a number of Indonesia's domestic policies and from the international criticism of those policies. Tensions in the system of government result from the role accorded to the military, and in the opposition of the government towards communism or religious extremism. There have arisen a number of complaints about extra-judicial methods of law enforcement, unfair trials and political oppression. Amnesty International, for example, allege a number of instances of human rights abuses in connection with the religious disturbances at Tanjung Priok in 1984.

158. **East Timor:** Indonesian sovereignty over East Timor, following their invasion in 1975 after Portuguese withdrawal, has never been recognised by the United Kingdom or by other European Community governments. Australia (who, as neighbours, can be regarded as being the Western government most directly concerned) has however accorded recognition. ASEAN countries accept Indonesian sovereignty. Armed resistance to Indonesian control continues, but reports differ as to the strength of the rebel forces. The British Government's position, in common with other Community members, is that the issue is one for bilateral negotiation between Portugal and Indonesia and that the efforts of the UN Secretary-General to facilitate the process of negotiation should be supported. The Secretary-General's initiative was begun in 1983.[61] **It is clear that Britain must continue to refuse to accept the forcible annexation of East Timor and reject Indonesian sovereignty until an agreement is reached with all parties, including genuine East Timorese representatives.**

159. Separate issues arise from criticisms voiced over Indonesia's policies inside East Timor since 1975. The task of establishing control has involved substantial military operations against those resisting Indonesian rule. Very large numbers of casualties and disappearances among the local population were reported at the time of the invasion and have been reported since, though recent suggestions are that the situation has improved. Low level conflict does continue however, as do allegations concerning the operations of Indonesian troops (including allegations of torture). These issues were raised by the British Prime Minister during her visit to Indonesia in 1985 and these discussions may have been a contributory factor in the successful negotiations for subsequent improved access by the Red Cross to East Timor.

160. **Transmigration:** The transmigration programme, which was originally instituted by the Dutch colonial government, has involved the departure from Java (mostly) to the outer islands (Sulawesi, Sumatra, Irian Jaya and Kalimantan) of 2 million people since 1950.[62] The justification, as noted above, is that Java's available land and its potential for industrial

[61] Q59.
[62] Evidence, p 86.

development cannot keep up with its population growth. The density of population in Java is 700 per km², while in Kalimantan it is 21 per km² and in Irian Jaya 3 per km². It is also hoped, as a subsidiary effect, that the spreading of the population will assist the process of "Indonesianisation" of the country—ie the development of a unified nation, rather than a loose political amalgamation of rather different islands.

161. Criticisms of the transmigration programme are raised both on human rights grounds and on environmental grounds. The human rights criticisms are that families or communities are not given fully adequate means of survival in the areas to which they have moved (*ie* that the transmigration sites are inadequately prepared and the programme inadequately funded) and that the land rights and customs of the former residents are infringed. Some of these criticisms, it can be argued, relate to the way in which the programme is administered rather than the principles on which it is based. However, the number of apparent cases indicate that insufficient attention may well be being paid, consistently, to the proper selection of transmigrants, and to the rights both of the transmigrants and of the indigenous people at the receiving sites. We learnt of some of the difficulties involved in the programme while visiting a dam construction project (partly financed by British aid money) in Central Java which involved the removal of over 15,000 people (mostly to Sulawesi and Sumatra).

162. The environmental criticisms of the programme, articulated by such bodies as Friends of the Earth International, centre on the damage which is being done to the ecology of many of the transmigration sites. Many of these sites are in primary rain forests and, as well as upsetting the local populations, the new sites are often unable actually to support the numbers of settlers being imposed on them. It is also argued that the transmigration programme has not worked in its basic aim of lowering the population of Java.

163. Indonesian Government ministers defended the transmigration programme to us in ways which indicated that they were well aware of the force of international criticisms. FCO/ODA officials indicated that they accepted the basic rationale behind the scheme,[63] but did see problems with it.[64] The principal source of funds for the transmigration projects, apart from the Government of Indonesia itself, is the IBRD (World Bank). The UK Government "do not give direct financial or other support through bilateral or multilateral channels"[65] to the programme. As a leading member of the IBRD, however, Britain is of course in a position to influence the projects which the Bank supports, though British opposition alone—should such a policy be adopted—would be unlikely to end IBRD support. The Land Resources Development Centre (one of the ODA's remaining scientific units) has done research work in the area of site selection on behalf of the IBRD and has thus, according to ODA, "been able to help minimise adverse effects on the environment and the indigenous population".[66]

164. **We consider that the criticisms of the transmigration programme which have been brought to our attention justify the UK Government's policy of non-involvement.** These criticisms should continue to be pressed and it may be that the Government should make their doubts clearer in international fora such as the IBRD.

165. **Irian Jaya:** One of the major areas for transmigration sites is Irian Jaya (West Papua). This region was ceded separately to Indonesia by the Dutch through the UN in the 1960s. Discontent over the treatment of the indigenous people, and opposition in some areas to Indonesian rule in the first place, has led to a number of incidents of unrest (with accompanying allegations of human rights abuses) and to the growth of a resistance movement. A number of refugees have crossed to Papua New Guinea, and there are allegations—refuted by Indonesian Ministers in discussions with us—of mistreatment of refugees who had returned to Irian Jaya. The UNHCR supports a refugee settlement programme in Papua New Guinea to which the UK contributes through UNHCR's general budget.

166. **Conclusion:** The above paragraphs illustrate a number of issues where Indonesian policies have led to criticism. Where British policy is directly involved—as on East Timor and the transmigration problem—we have suggested lines of policy which we consider should be followed. However, the question arises of whether the various points of difficulty, taken together, should be regarded as sufficiently grave to discourage the maintenance of friendly

[63] QQ111/112.
[64] Q58.
[65] *Official Report*, 9 June 1986, WA col 48.
[66] *ibid.*